App Store Price Committee

U.S. Linked Transactions

7/5/23

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U.S. District Court - NDCAL
4:20-cv-05640-YGR-TSH
Epic Games, Inc. v Apple Inc.
Ex. No. CX-0227
Date Entered _____
By_____

Summary

Resulting from the Epic injunction, Apple is

"permanently restrained and enjoined from prohibiting developers from (i) including in their apps and their metadata buttons, external links, or other calls to action that direct customers to purchasing mechanisms, in addition to In-App Purchasing and (ii) communicating with customers through points of contact obtained voluntarily from customers through account registration within the app."

Compliance Requirement

Item	Linked Transactions
Geo	U S
Eligibility	iOS or iPadOS App Store, US storefront
Compliance Date	As soon as Friday, July 7, 2023

Key Pricing Considerations

Commission Rate

Commission Time Window

Program Eligibility

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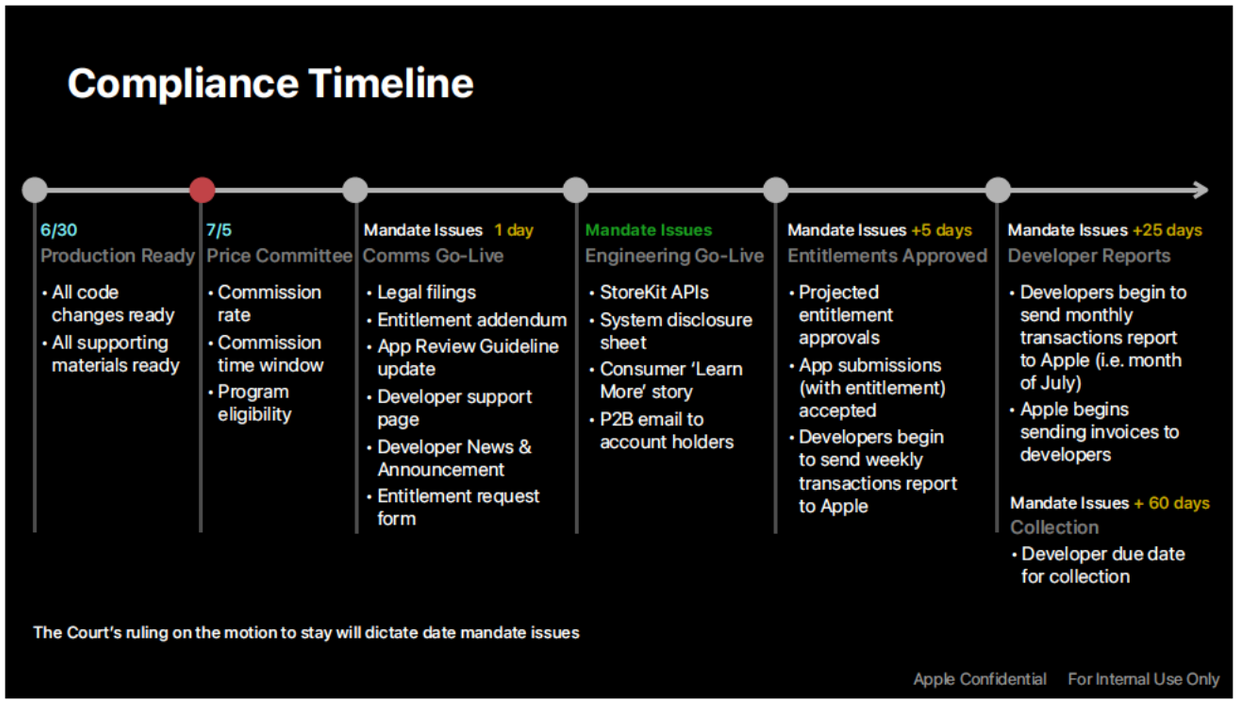
Compliance Timeline
6/30
Production Ready
• All code changes ready
• All supporting materials ready
7/5
Price Committee
• Commission rate
• Commission time window
• Program eligibility
Mandate Issues 1 day
Comms Go-Live
• Legal filings
• Entitlement addendum
• App Review Guideline update
• Developer support page
• Developer News & Announcement
• Entitlement request form
Mandate Issues
Engineering Go-Live
• StoreKit APIs
• System disclosure sheet
• Consumer 'Learn More' story
• P2B email to account holders
Mandate Issues +5 days
Entitlements Approved
• Projected entitlement approvals
• App submissions (with entitlement) accepted
• Developers begin to send weekly transactions report to Apple
Mandate Issues +25 days
Developer Reports
• Developers begin to send monthly transactions report to Apple (i.e. month of July)
• Apple begins sending invoices to developers
Mandate Issues + 60 days
Collection
• Developer due date for collection
The Court's ruling on the motion to stay will dictate date mandate issues
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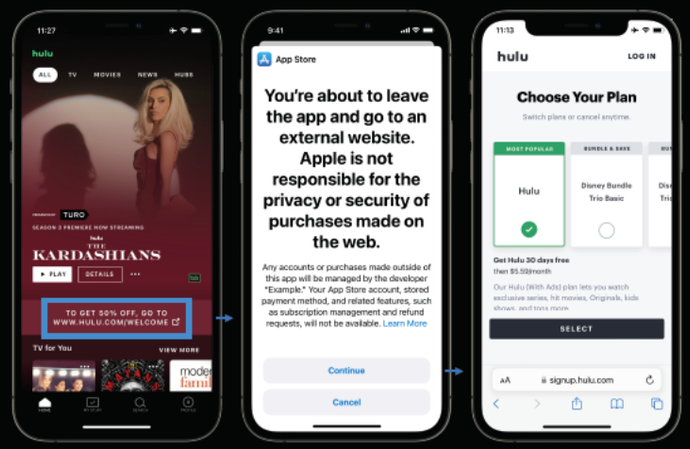
Link Entitlement Policies & User Experience



In app external link | System disclosure sheet | Web Choose plan

- Language and design must follow templates
- One URL per app
- Link can only be displayed once in an app, on an app page user navigates to (not an interstitial, modal, or pop-up), and can't persist when user leaves page
- Link can not be displayed on any page that is part of an in-app flow to merchandise/ initiate an IAP

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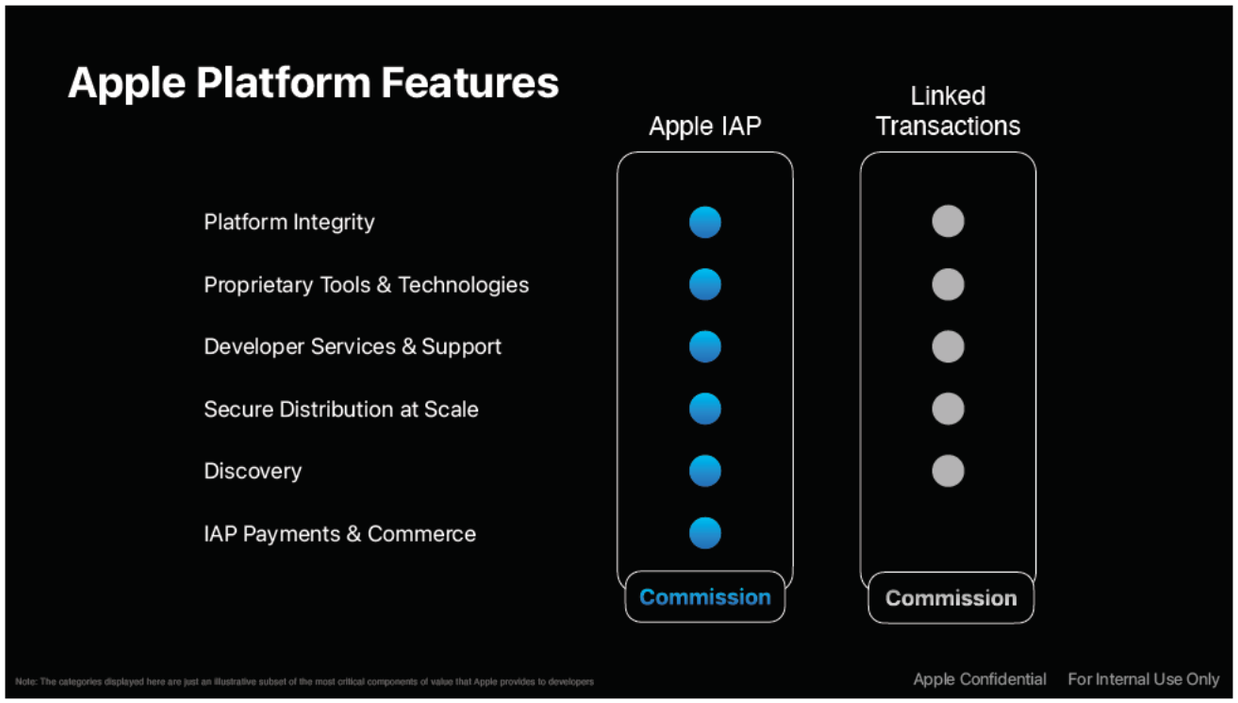
Apple Platform Features
Apple IAP
Linked Transactions
Platform Integrity
Proprietary Tools & Technologies
Developer Services & Support
Secure Distribution at Scale
Discovery
IAP Payments & Commerce
Commission
Commission
Note: The categories displayed here are just an illustrative subset of the most critical components of value that Apple provides to developers
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Existing Rates

	Standard | Programs
Apple IAP	30% | 15%
3rd Party Payments	26% | N/A
3rd Party Payments / Linking Out	27% | 12%

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Analysis Group Valuation of Developer Offering Components

All percentages are expressed relative to customer spend

Apple Framework	Analysis Group Framework	Costs for Small Developers	Costs to Large Developers	Notes
Platform Integrity	Pla form Technology	30% for in egra ed game pla forms (inclusive of o her i ems) 5% - 20% for pla form echnology wi h demand genera ion 0 3% - 6% for pla form echnology wi h no demand genera ion		Provides a lower bound on he value because subs i u es do no replica e all capabili ies of he Apple pla form
Proprietary Tools and Technology				
Developer Services and Support	Developer Tools and Services	5% - 16%		A key benefi of curren Apple model is ha i lowers s ar up cos s and risks
Secure Distribution at Scale	Dis ribu ion	4% - 25%	4% - 14%	Provides a lower bound ha does no include he user rus in he App S ore s privacy and piracy pro ec ion measures
Discovery	Discovery	5% - 21%	5% - 14%	Third-par y discovery op ions involve subs an ial effor and may require paying for services wi hou realizing revenue
IAP Payments and Commerce	*No valuation exercise undertaken*	*Not estimated*		

Possible overlap in Analysis Group framework so separate line items are not necessarily additive
Per Analysis Group Apple's offering is unique and that these values are approximations of the value of these services
Source: App Store Commission Rates and the Value of Apple and the App Store to Developers July 2023

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Commission Levels across Mobile App Marketplaces

● Full featured
◉ Basic
○ Limited/None

	Linked Transactions (Apple)	Apple IAP	Google Play	Amazon Appstore	Samsung Galaxy Store	Huawei AppGallery (Mainland China)	ONE store	Codashop
Platform Integrity	●	●	◉	○	○	○	◉	○
Proprietary Tools & Technologies	●	●	●	○	◉	◉	◉	○
Developer Services & Support	●	●	●	○	●	○	○	○
Secure Distribution at Scale	●	●	●	◉	○	◉	◉	○
Discovery	●	●	●	◉	◉	◉	◉	◉
IAP Payments & Commerce	○	●	●	◉	●	●	◉	◉
Pricing	TBD	30% standard 15% Y2 subscriptions 15% SBP 15% VPP/ NPP	30% standard 10-15% Play Media Experience 15% 1st $1M in billings 15% subscriptions	30% Standard 20% SBP equivalent (additional 10% in free AWS credits)	30% standard Negotiated rates	50% games in-app purchase 30% other in-app purchase 20% education	20% standard 5% with 3P billing	15%

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Time Windows across Discovery Channels

Affiliate Benchmarks

	Company	Time Window
First Party Affiliate Programs	Microsoft	14 days
	Norton Lifelock	30 days
	Wall Street Journal	30 days
	McGraw Hill	30 days
	Bluehost	90 days
Platform Affiliate Programs	eBay	24 hours
	Amazon	24 hours
	Walmart	3 days
	Etsy	30 days

Advertising Benchmarks

	Company	Time Window
Mobile Measurement Partners	Adjust	7 days
	AppsFlyer	7 days
	Branch	7 days
	Singular	7 days
	Kochava	30 days
Self-Attributing Networks	Meta	7 days
	Snapchat	28 days
	Twitter	30 days
	Google	30 days

First party affiliate programs involve referrals for directly owned and produced goods/ser ices
Platform affiliate programs involve referrals to a central platform / marketplace to sell 3P owned and produced goods/services
Source: App Store Commission Rates and the Value of Apple and the App Store to Developers July 2023

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App Store Indicative P&L

$M	WW FY22	WW FY23 F	WW FY24 F	US FY22	US FY23 F	US FY24 F
Billings						
Less: Developer Payout						
Gross Revenue						
Less: Contra Revenue Adj						
Net Revenue						
S&S OCOGS						
S&S OPEX						
Total Services Spend						
Apple Ecosystem OPEX & OCOGS						
Total Expenses						
Operating Margin $						
Operating Margin %						

Created for Pricing Analyses

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Analysis of Net Impacts on App Store Margins

Operating margin impacts are net of both link-out and standard Apple IAP business

US Revenue Impact
U.S. Op Margin Impact

Duration	FY24 Commission Rate 20%	23%	25%	27%	30%	Steady State Commission Rate 20%	23%	25%	27%	30%
Current Session										
24 hrs										
72 hrs										
30 Days										
90 Days										

Financial Assumptions :
[redacted] returning customers | [redacted] link out share | [redacted] measurement impact | [redacted] billings link out implementation | **12 Month** linear ramp for FY24

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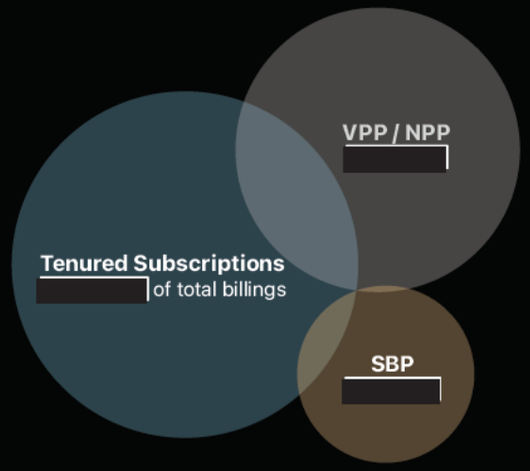
Program Eligibility



Small Business Program
Continue to promote growth of small developers with minimal financial impact

Tenured Subscriptions
Discount acknowledges developer's effort in retaining customers

Video Partner Program / News Partner Program
Require participants to maintain high bar of user experience and ecosystem integration aligned with partner program goals

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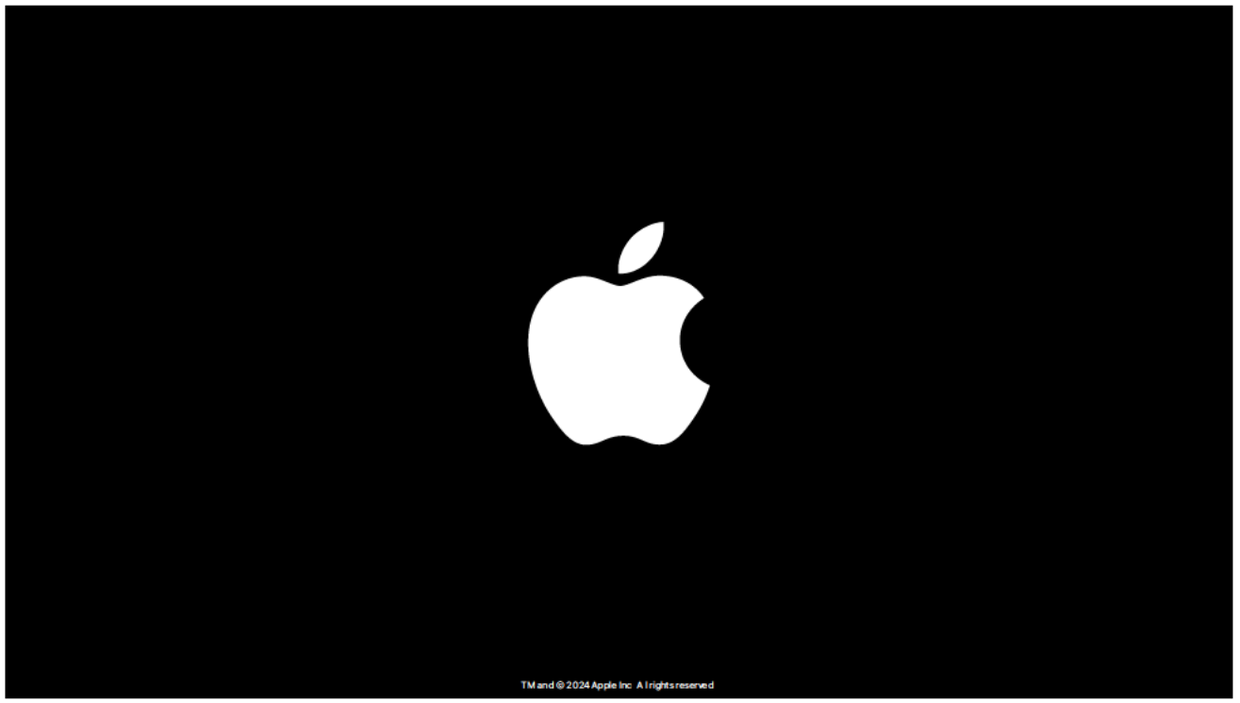
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Backup

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Key Assumptions for Financial Impact Analysis

- Efficient implementation by developers to maximize their margin
- All subsequent non-sub transactions go through developers' direct channels (with no commission)
- Every subsequent transaction that goes through the App Store will reduce Apple's revenue loss
- VPP and NPP Linked Transactions billings are not eligible for program discounts
- 10% collection/measurement risk factored into sensitivities
- 25% breakage is the break-even point for developer decisioning

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Proforma Margin Analysis of Link-out Billings (standalone)

Operating margins do not reflect overall App Store loss (reflected on following slide)

U.S. Link-out Revenue
U.S. Link-out Op Margin

Commission Rate

Time Duration	20%	23%	25%	27%	30%
Current Session					
24 hrs					
72 hrs					
30 Days					
90 Days					

Financial Assumptions :
[redacted] returning customers | [redacted] link out share | [redacted] measurement impact | [redacted] billings mix | **12 Month** linear ramp for FY24

Created for Pricing Analyses

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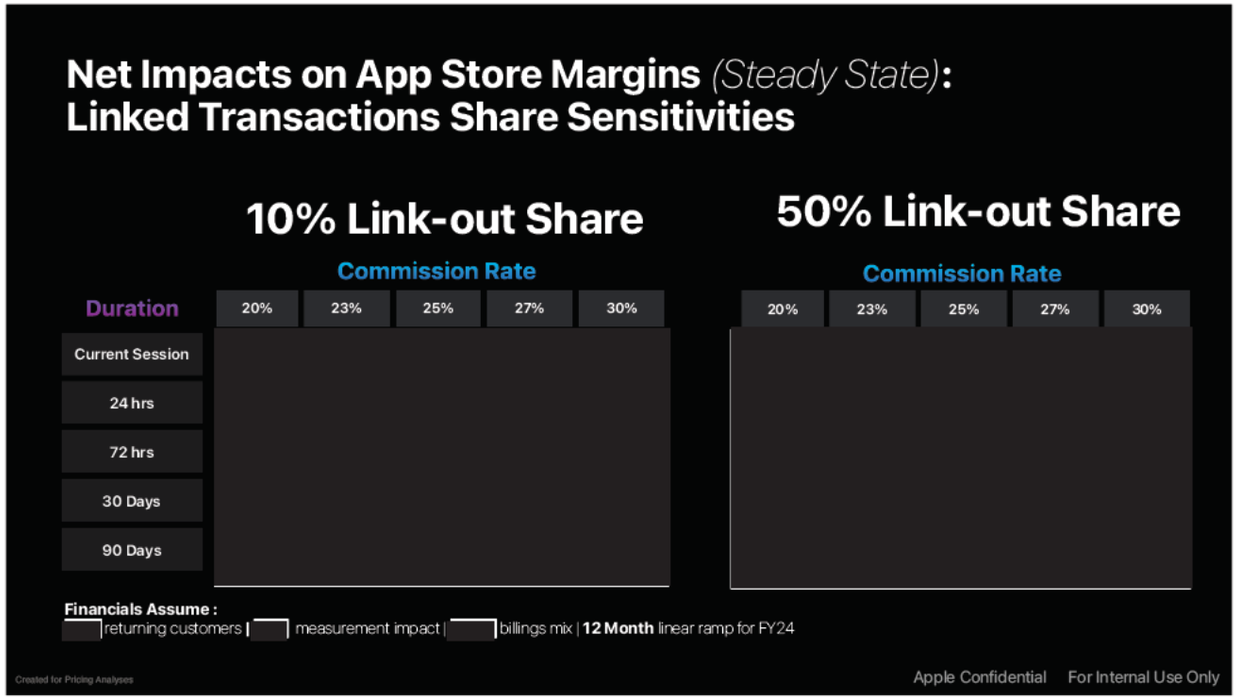
Net Impacts on App Store Margins (Steady State): Linked Transactions Share Sensitivities
10% Link-out Share
50% Link-out Share
Commission Rate
Commission Rate
Duration
20%
23%
25%
27%
30%
20%
23%
25%
27%
30%
Current Session
24 hrs
72 hrs
30 Days
90 Days
Financials Assume :
returning customers | measurement impact | billings mix | 12 Month linear ramp for FY24
Created for Pricing Analyses
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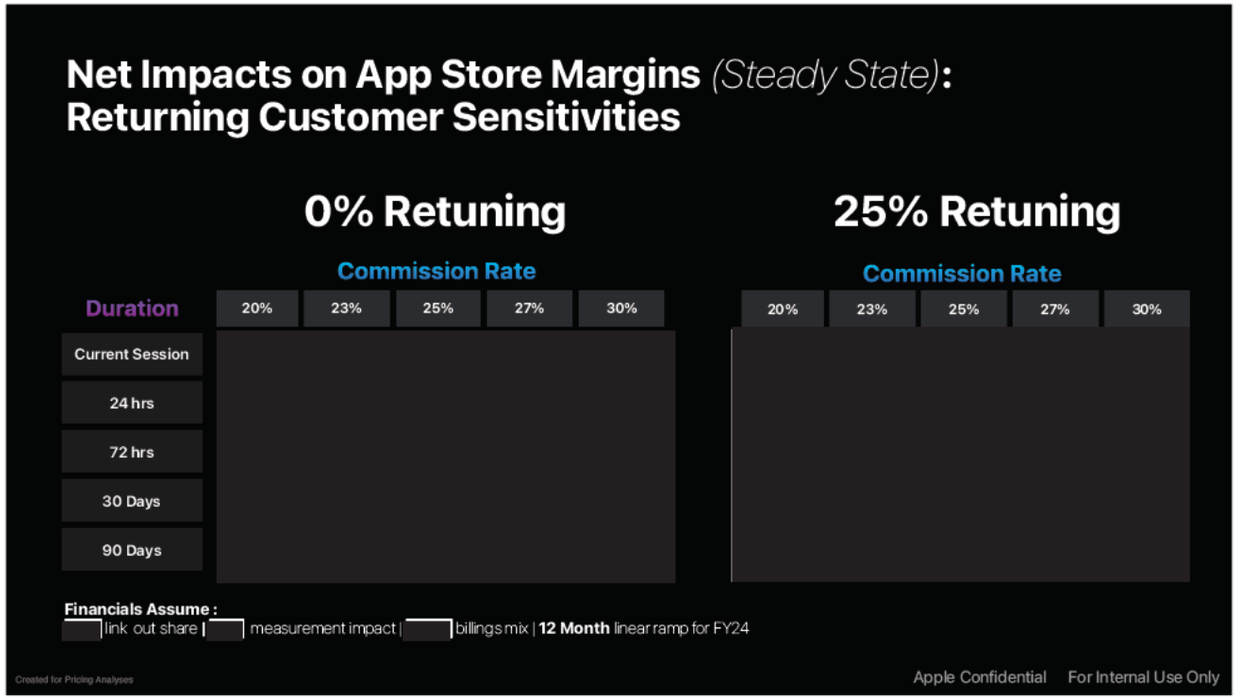
Net Impacts on App Store Margins (Steady State): Returning Customer Sensitivities
0% Retuning
25% Retuning
Commission Rate
Commission Rate
Duration
20%
23%
25%
27%
30%
20%
23%
25%
27%
30%
Current Session
24 hrs
72 hrs
30 Days
90 Days
Financials Assume :
[redacted] link out share | [redacted] measurement impact | [redacted] billings mix | 12 Month linear ramp for FY24
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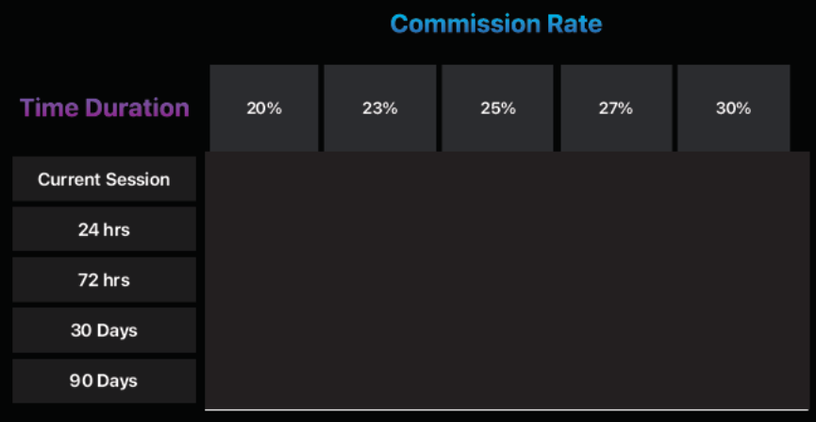
Effective Linked Transactions Rates (standalone)

Estimated Commission on Total Linked Transactions Billings



Financial Assumptions : 50% returning customers

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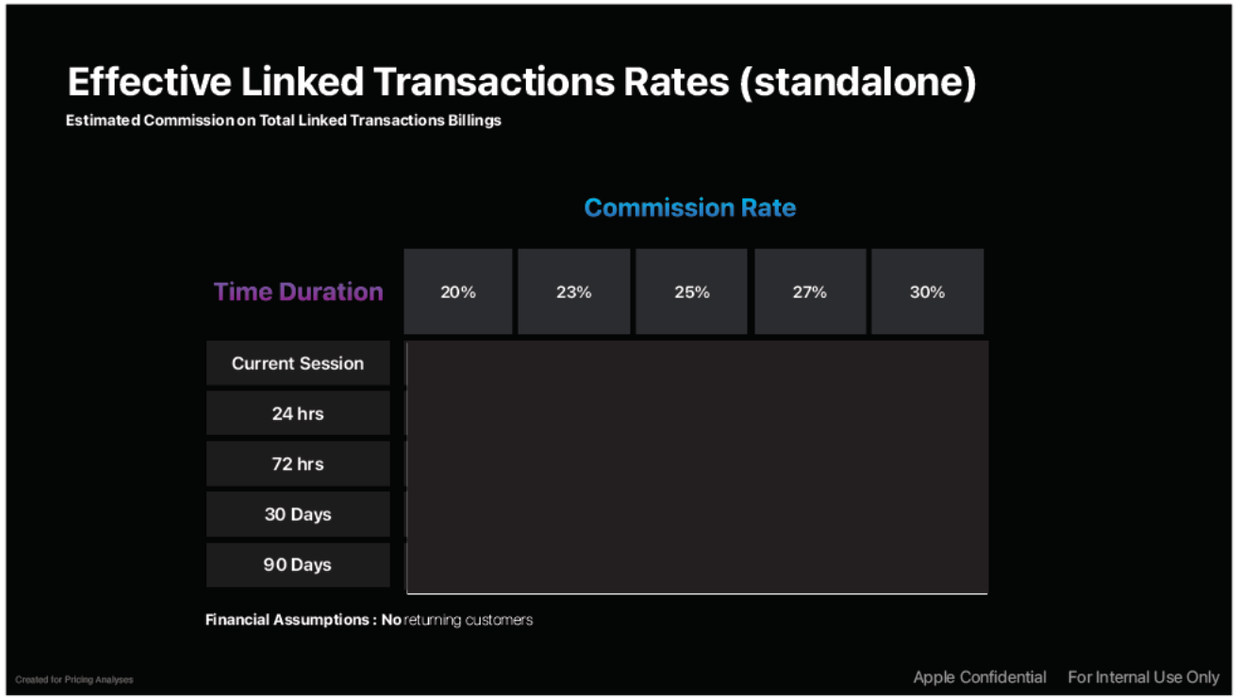
Effective Linked Transactions Rates (standalone)
Estimated Commission on Total Linked Transactions Billings
Commission Rate
Time Duration
20%
23%
25%
27%
30%
Current Session
24 hrs
72 hrs
30 Days
90 Days
Financial Assumptions : No returning customers
Created for Pricing Analyses
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Illustrative Unit Economics

	Standard			Program *(Subs)*		
	IAP	L nk-out 20%	L nk-out 27%	L nk-out BE	IAP	L nk-out 12%	L nk-out BE
Billings							
Proposed Commission							
Less: Duration Loss							
Less: Measurement Risk							
Gross Revenue							
Less: Contra Revenue Adj							
Net Revenue							
OCOGS							
OPEX							
otal Direct Spend							
Apple Ecosystem Support							
Total Expenses							
Operating Margin							

Financials Assume : 10% measurement impact | **72 Hrs** Duration | **No returning transactions**

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US Revenue: 72 Hrs vs 90 Days Illustration

	72 Hrs	90 Days	90 Days vs 72 hrs
Linked Transactions Billings			
No Retuning Customers			
Commission Eligible Billings			
Billings Not Eligible or Commission			
Commission *(No Retuning Customers)*			
Returing Billings			
Commission *(Only on retuning portion)*			
Total Commission			

Financials Assume :
27% Standard | **12%** Program | **50%** returning customers | **30%** link out share | **10%** measurement impact | **Steady State**

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US App Store - Programs Impact

50% returning customers | **30%** Linked Transactions share

US Revenue Loss
U.S. Op Margin Impact

Program Type / Duration	Commission Rate 10%	12%	15%
VPP / NPP *(No Duration impact as all renewals are commissioned)*			
Tenured Subscriptions - Yr 2 Rates *(No Duration impact as all renewals are commissioned)*			
Small Business Program *(Similar financial impact across durations)*			

Financials Assume :
50% returning customers | **30%** link out share | **10%** measurement impact | **~75%** billings mix | **12 Month** ramp for FY24

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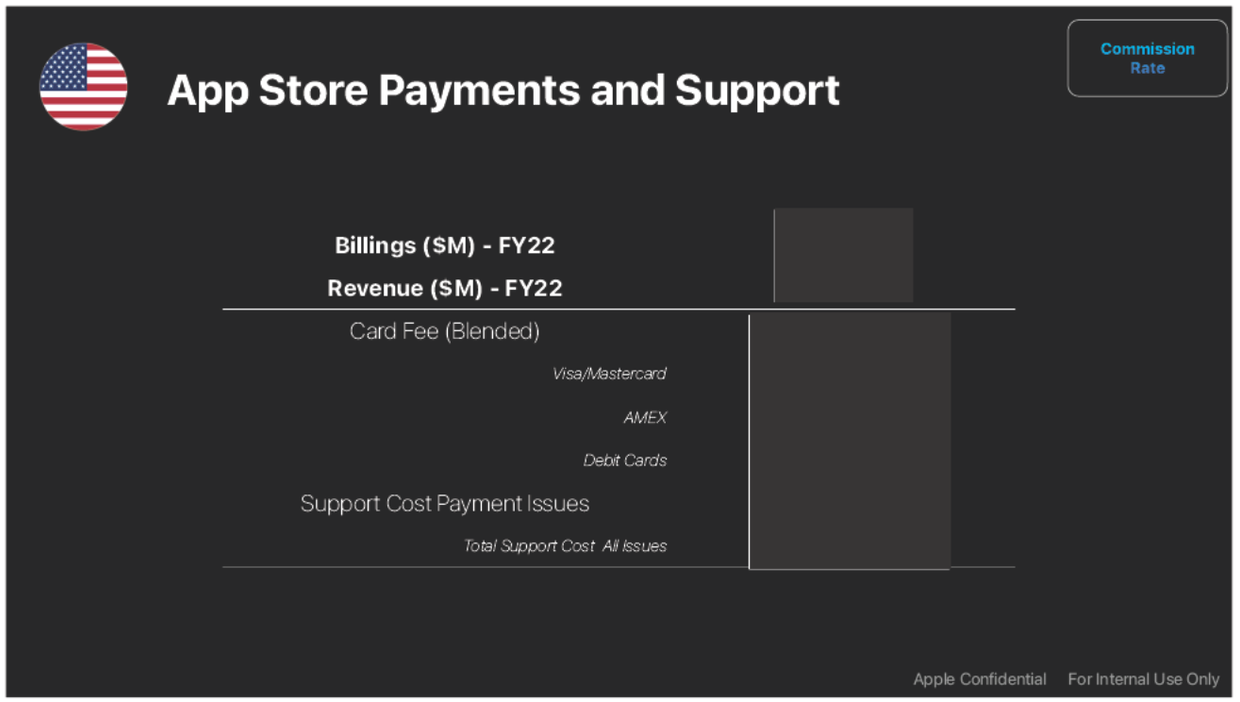
App Store Payments and Support
Commission Rate
Billings ($M) - FY22
Revenue ($M) - FY22
Card Fee (Blended)
Visa/Mastercard
AMEX
Debit Cards
Support Cost Payment Issues
Total Support Cost All Issues
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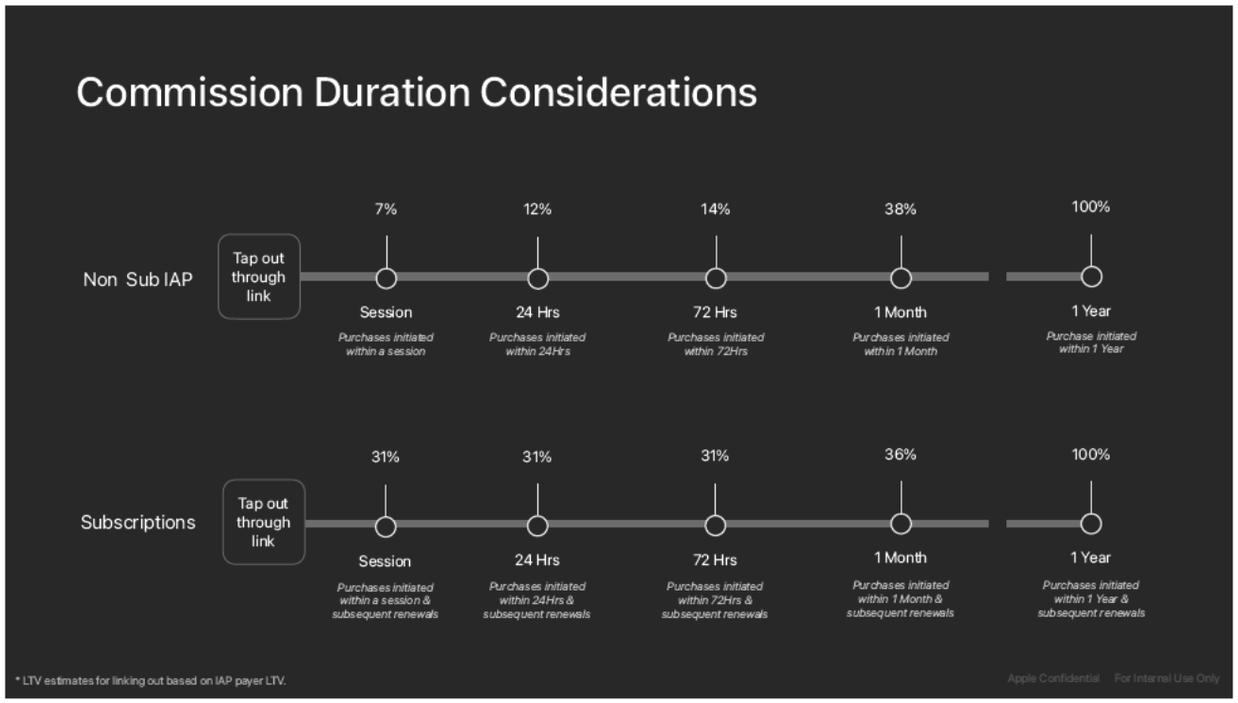
Commission Duration Considerations
Non Sub IAP
Tap out through link
7%
12%
14%
38%
100%
Session
24 Hrs
72 Hrs
1 Month
1 Year
Purchases initiated within a session
Purchases initiated within 24Hrs
Purchases initiated within 72Hrs
Purchases initiated within 1 Month
Purchase initiated within 1 Year
Subscriptions
Tap out through link
31%
31%
31%
36%
100%
Session
24 Hrs
72 Hrs
1 Month
1 Year
Purchases initiated within a session & subsequent renewals
Purchases initiated within 24Hrs & subsequent renewals
Purchases initiated within 72Hrs & subsequent renewals
Purchases initiated within 1 Month & subsequent renewals
Purchases initiated within 1 Year & subsequent renewals
* LTV estimates for linking out based on IAP payer LTV.
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Developer options for game / application distribution

	Linked Transactions (Apple)	Apple IAP	Google Play	ONE store	Amazon Appstore	Samsung Galaxy Store	Huawei AppGallery (Mainland China)	Codashop
Platform Integrity	OS updates Security architecture App Review DeviceCheck	OS updates Security architecture App Review DeviceCheck	OS updates Algorithmic review Play integrity API Play Protect	None	None	None	Custom version of Android base OS	
Proprietary Tools & Technologies	OS SDK Entitlements Xcode	IOS SDK Entitlements Xcode	Android Game Dev Kit Google Play Games Svcs	None	FireOS capabilities Alexa integrations	Bixby (voice assistant) Knox (MDM) SmartThings (IoT) Samsung Pay	Custom version of Android base OS	
Developer Services & Support	App Analytics TestFlight Ad hoc distribution GameKit / SIWA / etc	App Analytics TestFlight Ad hoc distribution GameKit / SIWA / etc	Google Play Services Firebase (billed separately) GCP (billed separately)	Basic developer account security	AWS (billed separately)			
Secure Distribution at Scale	Global presence 700M weekly visitors	Global presence 700M weekly visitors	Global presence Over 2B active devices	Predominantly in Korea 19M MAU	Undisclosed	"Hundreds of millions of active users each month"	Largest app store in China	
Discovery	Search Personalization Product Pages Family Sharing	Search Personalization Product Pages Family Sharing	Google App Campaigns Store listings Firebase Remote Config	Store listings Store integrated ads			China focused	Has an owned store, but doesn't appear to drive significant traffic
IAP Payments & Commerce		44 currencies Expansive payment methods Tax and fraud included					China focused	Focused on SEA payments, not materially adopted globally
Pricing	TBD	30% standard 15% Y2 subscriptions 15% SBP 15% VPP/ NPP	30% standard 10-15% Play Media Experience 15% 1st $1M in billings 15% subscriptions	20% standard 5% with 3P billing	30% Standard 20% SBP equivalent (additional 10% in free AWS credits)	30% standard Negotiated rates	50% games in-app purchase 30% other in-app purchase 20% education	15%

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Analysis Group Analysis of Effective Rates

	Standard | Programs
Apple IAP	30% | 15%
3rd Party IAP	26% | N/A
3rd Party IAP	27% | 12%

	App Store Billings	Facilitated Billings and Sales (est.)	Actual Commission rate	Effective Commission rate
Games				
Video streaming				
eBooks / audiobooks				
Music streaming				
News and magazines				
Enterprise				
Other				
Total			**27.8%**	**12.8%***

Source: App Store Commission Rates and the Value of Apple and the App Store to Developers July 2023

2.8% is the blended effective commission rate after taking into account estimated advertising revenues across all categories. Estimates of advertising revenue are not available on a category level and therefore are not factored into the category specific commission rates.
Source: Apple data App Store Commission Rates and the Value of Apple and the App Store to De elopers July 2023

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Group Identifier	APL-EG_11346208
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FamilyStatus	
AllCustodians	Barton, Nate
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Email To	
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Confidentiality_Rcvd	CONFIDENTIAL
Production Vol.	APL-EG_103